

FIRST SET OF DOCUMENT AND INFORMATION REQUESTS OF
THE DEPARTMENT OF COMMUNICATIONS AND ENERGY TO
BOSTON GAS COMPANY, COLONIAL GAS COMPANY AND ESSEX GAS COMPANY
D/B/A KEYSpan ENERGY DELIVERY NEW ENGLAND

D.T.E. 04-62

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Information Request DTE 1-5

- Q. Explain each of the following functions pertaining to KeySpan's resource planning and management activities: (i) forecasting, (ii) procurement, (iii) supply management, and (iv) operations.
- A. The functions pertaining to KeySpan's resource planning and management activities are explained as follows:
- (i) **Forecasting** is the function that projects the level of expected sendout requirements over a five-year forecast period. The Company's planning activities begin with a methodology for forecasting demand to determine annual incremental growth. The incremental growth projections are then added to the base line, or "springboard," normalized sendout figures from the latest available May to April split year to generate the forecasted total demand requirements. The end result of the demand forecasting process projects sendout growth over the forecast period under normal and design weather conditions.
 - (ii) **Procurement** is the function that ensures that the necessary resources are available to meet the demand requirements of the Company's customers. These resources include domestic long-haul and short-haul transportation contracts, underground storage contracts, Canadian and domestic gas supply contracts, and supplemental resources.
 - (iii) **Supply management** refers to the Company's portfolio-management activities that minimize the cost of maintaining a portfolio that is adequate to meet the projected requirements of its customers. These activities include (a) the coordination of the portfolios of KeySpan's Massachusetts local distribution companies, and (b) the use of Entergy-Koch Trading, L.P. ("EKT") as asset manager of a majority of the Company's upstream interstate gas supply, transportation, and underground storage assets. The coordination of the portfolios provides economies of scale and scope that are available to a relatively larger portfolio and provides the opportunity for shared operational balancing agreements on the Tennessee Gas Pipeline and Algonquin Gas Transmission systems across the Massachusetts local distribution companies. The use of EKT as the asset manager provides guaranteed payments made in monthly installments

over the term of the agreement, and the avoidance of certain commodity demand charges or premiums.

- (iv) **Operations** is the function that is responsible for the day-to-day management of the Company's gas supply and distribution system resources to ensure that the service requirements of customers are met. These activities involve balancing the resources available on a given day with the forecasted day-to-day customer requirements given short-range (one-to-four days) weather forecasts and expected load patterns.